

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-08 INR-10 LAB-04  
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-----116062 162338Z /66  
P R 161900Z MAY 78  
FM AMCONSUL SAO PAULO  
TO SECSTATE WASHDC PRIORITY 8513  
INFO AMEMBASSY BRASILIA  
AMCONSUL RIO DE JANEIRO

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E.O. 11652: ELAB, BR  
SUBJ: WORK STOPPAGES IN SAO PAULO AUTOMOBILE INDUSTRY

REF: SAO PAULO 77 2914 AND 2455

SUMMARY: APPROXIMATELY 12,700 AUTOMOBILE WORKERS, MOSTLY AT FORD BUT ALSO AT SCANIA/SAAB AND MERCEDES BENZ, HAVE STOPPED WORK. SITUATION PEACEFUL BUT WORK STOPPAGE MAY SPREAD. COMPANY, UNION, WORKER AND GOVERNMENT REPRESENTATIVES ARE MEETING AND FORD REPRESENTATIVE REPORTS THAT IT EXPECTS THE MINISTER OF LABOR TO DECLARE THE STOPPAGE AN ILLEGAL STRIKE UNDER THE LABOR CODE AND ORDER THE WORKERS BACK TO WORK. FORD REPRESENTATIVE IS UNCERTAIN WHETHER WORKERS WILL COMPLY AND WHAT WILL HAPPEN THEN. STOPPAGE IS THE RESULT OF GENERAL DISSATISFACTION WITH THE ANNUAL WAGE INCREASE BY GOVERNMENT DISSIDIO OF 39 PERCENT AND DATES BACK TO METALWORKERS COMPLAINT ABOUT INADEQUATE WAGE INCREASES SINCE MINISTER OF FINANCE DELFIM NETTO ALLEGEDLY FUDGED COST OF LIVING AND RESULTING WAGE INCREASE FIGURES IN 1973. FORD REPRESENTATIVE IS PHILOSOPHICAL SINCE COMPANY HAS LOST ONLY 10 DAYS FROM WORK STOPPAGES IN 50 YEARS OF OPERATIONS IN BRASIL. END SUMMARY.

1. DIRECTOR PERSONNEL FORD DO BRASIL INFORMED CONSUL GENERAL MAY 16 THAT ENTIRE 10,000 PRODUCTION WORKERS AT SAO BERNARDO FORD  
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PLANT STOPPED WORKING AT NOON MAY 15 AND HAVE NOT RESUMED AS OF 2:00 P.M., MAY 16. FORD PLANTS AT IPIRANGA AND TAUBATE NOT YET AFFECTED, BUT AS SAN BERNARDO PLANT MAKES PART FOR PRODUCTION LINE AT IPIRANGA, FORD WILL SOON HAVE TO DISMISS WORKERS AT IPIRANGA IF WORK STOPPAGE CONTINUES. FORD REPORTS THAT WORKERS ARE FRIENDLY AND PEACEABLE. DISCUSSIONS ARE CURRENTLY UNDERWAY BETWEEN REPRESENTATIVES OF WORKERS, UNION, FORD COMPANY LAWYERS

AND LOCAL LABOR MINISTRY REPRESENTATIVE. FORD EXPECTS THAT THE LABOR MINISTER WILL SHORTLY DECLARE THE STOPPAGE AN ILLEGAL STRIKE AND ORDER THE MEN BACK TO WORK. FORD REPRESENTATIVE IS NOT SURE THAT THE WORKERS WILL COMPLY WITH SUCH AN ORDER AND IS UNCERTAIN WHAT WILL OCCUR THEN. FOR THE TIME BEING, THERE ARE NO POLICE OR ARMY UNITS AROUND THE PLANT. PLANT SECURITY FORCES ARE SAID TO BE ADEQUATE FOR THE PRESENT SITUATION, BUT COULD NOT FORCE COMPLIANCE WITH A BACK TO WORK ORDER.

2. PRESS HAS REPORTED THAT THE 2,500 WORKERS AT SCANIA SCAAB STOPPED WORK ON FRIDAY AND FORD REPRESENTATIVE CONFIRMS THIS. HE SAYS SCANIA NORMALLY WORKS ON SATURDAY, BUT DID NOT THIS WEEKEND. WORK STOPPAGE HAS CONTINUED AT SCANIA. FORD AND SCANIA HAVE BEEN JOINED BY THE APPROXIMATELY 200 WORKERS IN THE TOOL ROOM AT MERCEDES/BENZ, AND FORD REPORTS THAT THE 900 WORKERS AT THE VOLKSWAGEN PLANT ARE REPORTED ABOUT TO JOIN THE MOVEMENT, BUT HAVE NOT AT THIS HOUR.

3. FORD REPRESENTATIVE STATES THAT THE MOVEMENT AROSE BECAUSE OF THE GENERAL DISSATISFACTION WITH THE 39 PERCENT WAGE INCREASE GRANTED IN APRIL BY THE GOVERNMENT INDUSTRY WIDE DISSIDIO. FORD AND SCANIA HAD PREVIOUSLY ADVANCED THE WORKERS A TOTAL OF 15 PERCENT (FORD IN TWO INCREMENTS ONE OF 10 PERCENT IN NOVEMBER 1977, OR SEVEN MONTHS INTO THE CONTRACT YEAR AND ANOTHER 5 PERCENT IN JANUARY 1978 OR NINE MONTHS INTO THE YEAR). FORD STATES THAT THIS PATTERN OF INCREASES HAS PREVAILED FOR YEARS. THE WORKERS LIMITED OFFICIAL USE

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DISSATISFACTION CAME OVER THE TOTAL SIZE OF THE DISSIDIO AND THE COMPANIES' STANDARD POLICY OF DEDUCTING THE PREVIOUSLY GRANTED PERCENTAGE INCREASES FROM THE PERCENTAGE GRANTED IN APRIL. (FYI: THE COMPANIES MAY NOT INCLUDE IN THEIR COSTS FOR PURPOSES OF JUSTIFYING A PRICE INCREASE FROM CIP ANY EXPENDITURES MADE PURSUANT TO VOLUNTARILY GRANTED WAGE INCREASES IN ADVANCE OF THE FORMAL DISSIDIO DATE AND AMOUNT.) FORD STATES THAT IT IS UNABLE TO INCREASE WAGES IN THE ABSENCE OF AN ADEQUATE PRICE INCREASE FROM CIP, AND THE MINISTER OF FINANCE HAS PREVIOUSLY DENIED A PRICE INCREASE COMMENSURATE WITH COST INCREASES CALCULATED IN ACCORDANCE WITH CIP CRITERIA AND FULLY JUSTIFIED BY THE COMPANIES TO CIP. FORD IS PLACING THE RESPONSIBILITY FOR THE WORK STOPPAGE SQUARELY ON THE SHOULDERS OF THE FEDERAL GOVERNMENT AND ITS WAGE AND PRICE POLICY. FORD REPRESENTATIVE STATES THAT THE PRESENT STOPPAGE DATES BACK TO THE DISSATISFACTION AMONG METAL WORKERS WITH THE INADEQUATE WAGE INCREASES SINCE 1973 WHEN THEN MINISTER OF FINANCE DELFIM NETTO ALLEGEDLY FUDGED THE COST OF LIVING AND DISSIDIO RATE INCREASES.

4. FORD MOTOR REPRESENTATIVE IS PHILOSOPHICAL FOR THE MOMENT NOTING THAT THE COMPANY HAS LOST 10 DAYS FROM WORK STOPPAGES IN 50 YEARS OF OPERATION IN BRAZIL, INCLUDING SEVERAL DAYS IN 1964

WHEN THE COMPANY SENT THE WORKERS HOME DURING THE MARCH REVOLUTION  
TO AVOID INCIDENTS.  
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## Message Attributes

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